December, 2016

Saigon Beer Alcohol Beverage Corp. (SAB – HSX)

The Giant of Vietnam's Beer Industry

- **Advantages of Vietnam's high youth population coupled with high beer consumption per capita**
- **Growth outlook for SABECO amid rising competition**

As Vietnam's largest brewing company, SABECO has various striking advantages among its peers including its well-known brand name and its largest nationwide distribution and production networks. However, the company has seen a slowdown in growth in recent years compared with other competitors, especially with Heineken. However, as many competitors have penetrated into the high-end segment, SABECO's ability to maintain a high and stable market share in the mid-end segment in the past four years could be considered as an achievement. Therefore, we expect that the company's growth momentum will still exist in the coming years as it continues to perform strongly in the mid and low-end segments while slowly penetrating into the high-end segment.

The problem of dependency on imported raw materials leads to the company being vulnerable to an increase in the price of hops and malt. Moreover, the change in the special tax consumption policy, in some cases, will also affect the company's potential to increase its sales volume. If SABECO makes a provision for 2007-2012 excise taxes in H2 2016, from 2016 onwards, the excise tax provision will not be as strong of a negative effect on SABECO's earnings as compared to the previous years. At the same time, we believe that an increasing special excise tax rate from now to 2018 would only have a minor impact thanks to the company's ability to pass on the excise tax increase to its clients.

*Based on the assumption that SABECO's beer consumption volume will increase by 6%, we expect that revenue and NPAT will reach VND32,689 billion (+8.6% YoY) and VND4,795 billion (+5% YoY), respectively. This translates to 2017 EPS of VND7,028. Using a combination of both P/E and EV/EBITDA methods, the target price for this stock is **VND143,000**/share, 8.3% higher than the today's closing price.*

Key Financials

Y/E Dec (VND bn)	FY2014	FY2015	FY2016E	FY2017F
Net Revenue	24,611	27,144	30,111	32,689
% change	2%	10%	10.9%	8.6%
PAT	2,627	3,410	4,577	4,795
% change	29%	29.8%	34.2%	4.8%
PAT margin (%)	10.7%	12.6%	15.2%	14.7%
ROA (%)	12.1%	15.8%	18.5%	17.2%
ROE (%)	21.5%	26.1%	36.1%	32.8%
EPS (VND)*	4,097	5,318	6,709	7,028
Adjusted EPS (VND)	4,097	5,318	6,709	7,028
Book value (VND)	19,030	20,380	19,766	22,794
Cash dividend (VND)	2,500	3,000	4,000	4,000
P/E forward (x)			19.7	18.8
P/B forward (x)			6.7	5.8

*Sources: SAB, RongViet Research estimated. *Basic EPS*

NEUTRAL

CMP (VND)	132,000
Target Price (VND)	143,000
Investment Period	**Long-term**

Stock Info

Sector	Food & Beverage
Market Cap (VND B)	641,281,186
Current Shares O/S	84,641
Free float(%)	5.41

Major Shareholders (%)

Ministry of Industry and Trade	89.59
Heineken	5
Foreign Investor Room (%)	39.61

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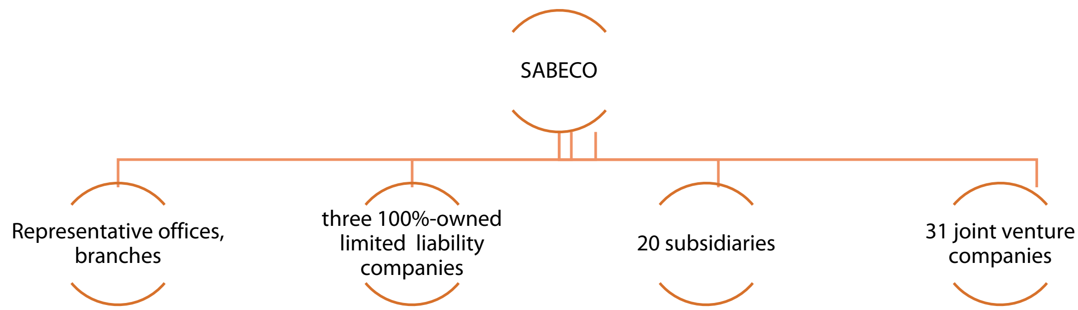
Company Overview

Saigon Alcohol, Beer and Beverages Corporation (SABECO), which has been operating for over 140 years, is one of the most well established enterprises. It was formerly known as Cho Lon Brewery, which belonged to BGI (France), and then later became Southern Alcohol Company in 1977. In 2007, the company was privatized and given the name Saigon Alcohol, Beer and Beverages Corporation (SABECO).

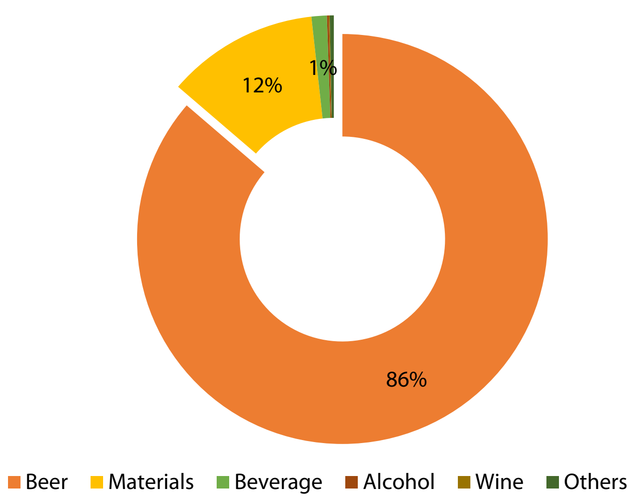
Figure 1: Sabeco's Member Companies



Source: SABECO's Prospectus

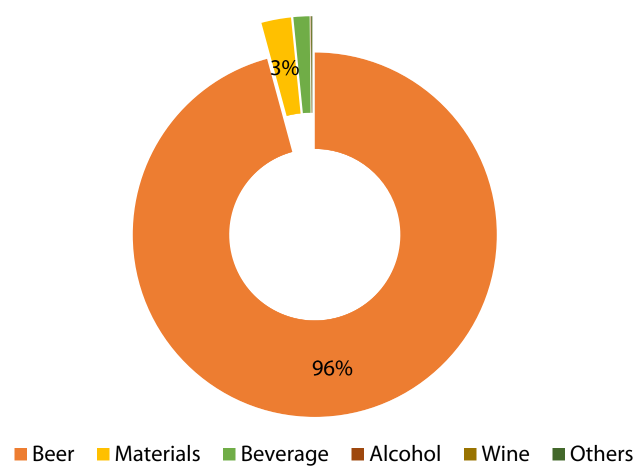
After a long journey of growth, SABECO has built its network of breweries and distribution channels across the country. The brand "*Bia Saigon*" was built on a strong foundation and has become very familiar to consumers, and it was also recognized as "*Vietnam National Brand*" during the period of 2008 to 2015. Beer is the company's main business, as it contributes to 86% of its revenue and 96% of its gross profit. Apart from this main business, SABECO is also involved in producing soft drinks, alcohol, packaging, materials, and is also involved in real-estate.

Figure 2: Revenue Breakdown (9M2016)



Source: SABECO, RongViet Research

Figure 3: Gross Profit Breakdown (9M2016)



Source: SABECO, RongViet Research

Sabeco listed approximately 641.3 million shares on the Ho Chi Minh Stock Exchange today. The Ministry of Industry and Trade and Heineken are currently the largest shareholders, owning 89.59% and 5% of its total shares respectively. It is estimated that SABECO's free-float ratio is 5.41%, equivalent to 34.69 million shares. According to the company's plan, the state will divest 53.59% of its stake in 2016 and 36% in 2017. SABECO's FOL will be 49% after listing and could open up to 100% if approved during next year's AGM. From 2016-2020, the company does not have a plan to increase its charter capital.

Table 1: SABECO's Products

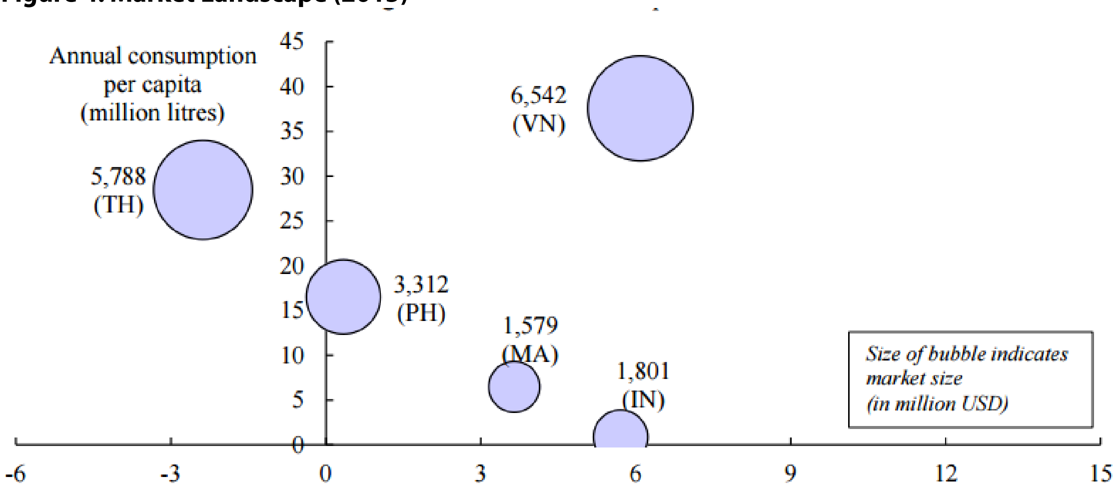
No.	Product	Well-known brand names
1	Beer	Saigon Lager (450ml), Saigon Export (355 ml), Saigon Special (330 ml)
2	Alcohol	Vina Vodka, Napoleon X.O, Binh Tay Liquor, Nang Huong Liquor
3	Beverage	DaKai Mineral Water, Chuong Duong Saxi
4	Mechanical	Industrial tools
5	Packaging	Glass bottles, packaging, buttons, warehouses
6	Transportation	Transportation services
7	Real Estate	Rental building, office lease and retail stores

Source: SABECO, RongViet Research

Young Population Coupled with High Beer Consumption per Capita

Vietnam is a salient beer market world-wide in terms of both beer consumption and production. In 2008-2015, the CAGR in this industry remained strong, at 14% for beer production and 12% for beer consumption, respectively; this allowed Vietnam to outperform some top beer drinking countries including Czech Republic, Germany and the USA. Vietnam ranks first for highest growth, size, and consumption of beer in Southeast Asia. This has resulted in Vietnam being considered one of the most attractive markets by some of the largest global brewing companies.

Figure 4: Market Landscape (2015)

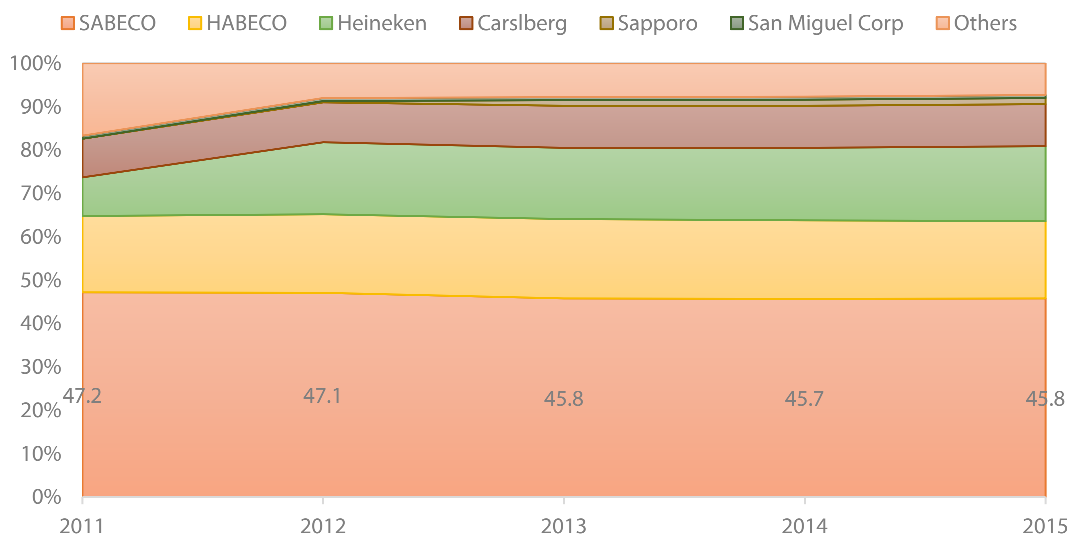


Source: cdiasiabusiness, Euromonitor, World Bank, RongViet Research

The Vietnam market consumed 3.6 billion liters of beer in 2015, up by 6.4% YoY (Euromonitor), and the market share (volume) was split among four leading players including SABECO (45.8%), HABECO (17.8%), Heineken (17.3%), and Carlsberg (9.7%). Over the last four years, the market share of these companies has changed dramatically. While Sabeco and Carlsberg maintained a stable market share, Habeco has been slightly losing ground (down from 18.1% to 17.8%). Heineken was also able to gain 0.7% of the market share during this period.

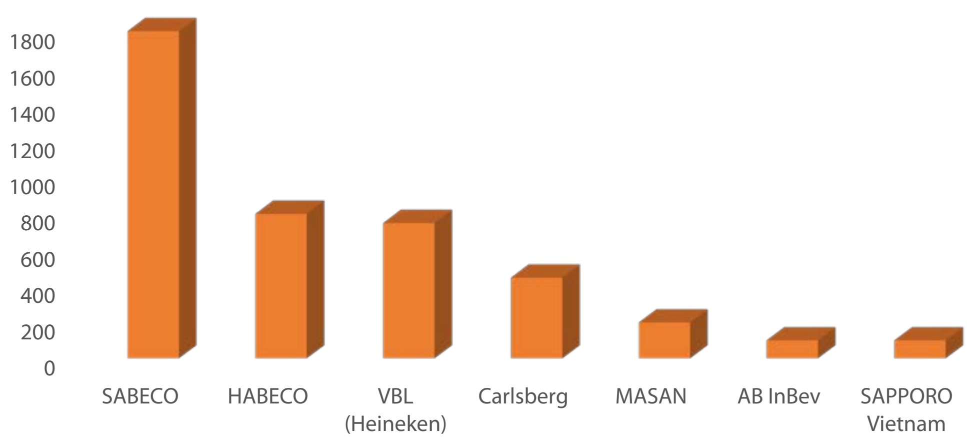
In the first 10 months of 2016, the growth of the beer industry in Vietnam remained high, at a rate of 10.5% YoY. However, the productivity of the two leading producers Sabeco and Habeco was a bit slow at 7.6% and 1.6% YoY, respectively.

Figure 5: Vietnam's Beer Market Share (Unit: %) (Volume)



Source: Euromonitor, RongViet Research

Figure 6: Design Capacity of Some Brewing Companies (Unit: million liters/year)

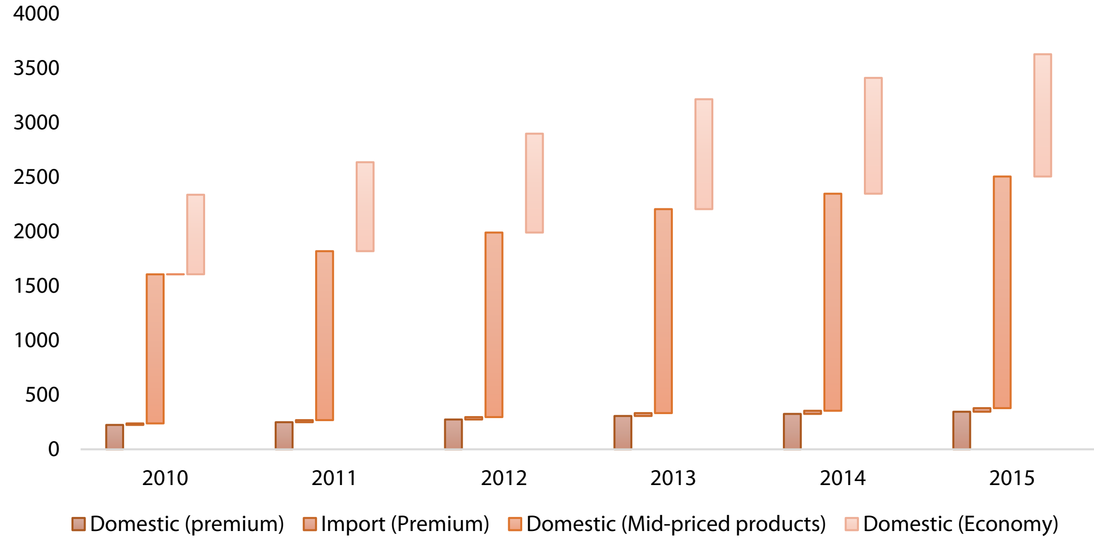


Source: RongViet Research

The consumption rate of Vietnam's beer industry has been growing at around 6-9% per year thanks to the golden population structure, with 60% of the population being under the age of 30. Moreover, the average income per person has been growing steadily at around 9% per year during the period of 2011 to 2016, resulting in the expansion of the middle class in Vietnam. This represents an additional 2 million persons per year on average, and this figure has the potential to double between 2014-2020 according to Boston.

In Vietnam, the on-trade distribution channel (Bars/Restaurants) accounts for 73% of the revenue from beer, 30% higher than the average figure of countries in the region (*Appendix: Beer Supply Chain & Distribution Channels*). This creates a favorable condition for the consumption tendency to shift to the high-end segment, which is a strategic way for companies to capture the growth of Vietnam's middle class. The high-end beer segment currently accounts for less than 1% of the consumption level but has still delivered high growth over the years (CAGR has been about 19% in the last 5 years). Meanwhile, the growth of the beer industry in the middle-end segment has been around 9.2% per year.

Figure 7: Sales of Beer by Category (Unit: million liters)



Source: Euromonitor, RongViet Research

According to the development plan for the Vietnam Beer, Alcohol, and Beverages Industry from now until 2020, the whole country will produce about 4.18 billion liters of beer, up by 23.9% compared to 2015. The average annual growth rate will be 4.4% per year until 2020. According to Euromonitor, the high-end imported segment and the middle-end segment will have plenty of room for growth, with growth estimated to be 7.2% and 7.1%, respectively, which is much higher than the industry average of 6.2% during 2015.

Vietnam's beer market has become very attractive for foreign beer producers, due to the large market size, high consumption per capita, and the young population structure. Furthermore, the stable growth in terms of average income per person has helped to shift the beer industry to focus on quality instead of quantity. Under this circumstance, large enterprises like Sabeco need to develop suitable strategies to outpace the industry in growth instead of continuing its same strategy, which has resulted in comparatively slower growth.

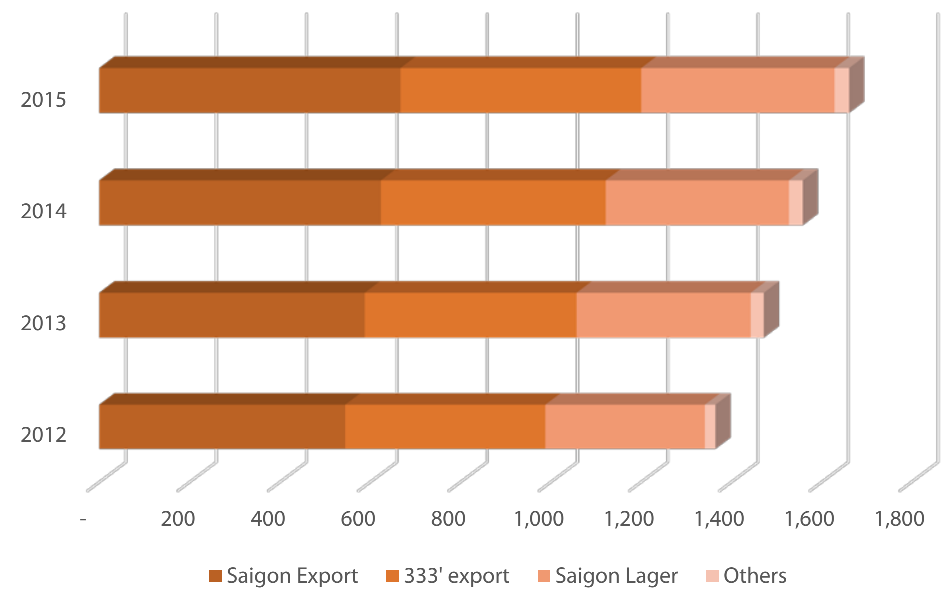
SABECO – The Giant of Vietnam's Beer Industry

Penetrating the High-End Segment, and Maintaining its Market Share in the Mid-End Segment

In the last four years, beer consumption of Sabeco's products has increased by 6.8% per annum, lower than the industry growth rate of 7.8% per annum (*Euromonitor*). Although its market share continues to stay high (45.8% in 2015) and outpaces its competitors HABECO (17.8%) and Heineken (17.3%), the slowdown in growth seems to be a pessimistic indicator for Sabeco. In the first 10 months of this year, "The Giant" of Vietnam's beer industry recorded a growth rate of 7.6% over the same period last year, lower than the average industry growth rate of 10.5%.

Please refer to important disclosures at the end of this report

Figure 8: Volume Breakdown by Product Type (Unit: million liters)



Source: Euromonitor, RongViet Research

333, Sai Gon Lager (Green Saigon), Sai Gon Export (Red Saigon) and Sai Gon Special Beer are the main products of SABECO, and the first three target the mid-level and low-end segments, and account for 44.9% of the entire country's consumption demand as of 2015. Sabeco has been able to maintain this strong market share in the past couple of years. In addition to the traditional segment, Sabeco has gradually penetrated into the high-end segment with two products which are Saigon Special (*introduced in 1999 and changed brand awareness in 2016*) and Saigon Gold (*introduced in 2014*). Although they have not contributed much to the whole business of Sabeco, this has served as a springboard for the company to prepare more ambitious steps at a time when the high-end segment still has ample room for growth. This is an especially strategic move as the consumption trend has already begun to gradually shift to this segment amid the rise of Vietnam's middle class.

Table 2: SABECO's Products by Segments

Segment	SABECO	HABECO	VBL	Carlsberg
Premium	Saigon Special, Saigon Gold Beer	Truc Bach Beer	Heineken, Tiger	Carlsberg
Mid-priced	Saigon Lager Beer	Ha Noi Beer	Laure, BGI	Halida and Huda
Economy	Saigon Export, 333 Beer			

Source: RongViet Research

Sabeco's network of plants spreading across the country and its ability to increase capacity in the short time are the strong points of the company.

Sabeco is the nation's largest brewery, with 23 subsidiaries and 31 associates and total contributing capital of more than VND3,900 billion. Sabeco's plants operate at a high average capacity (82 – 83%), with the total capacity being over 1.8 billion liters per year, the highest in Vietnam. This is a major competitive advantage of the company, compared to the other breweries such as Hanoi Beer-Alcohol-Beverage Joint Stock Corporation HABECO (800 million liters per year), Vietnam Beer Ltd VBL (750 million liters per year), MASAN (200 million liters per year), Sapporo Vietnam (100 million liters per year) and AB InBev (100 million liters per year).

Table 3: SABECO's Brewing Factories: Total Design Capacity (Unit: million liters/year)

No.	Factory	2015	2016	2017	Maximum Expansion Capacity
1	Sai Gon - Nguyen Chi Thanh	162	162	162	162
2	Sài Gòn-Cu Chi	264	264	264	**300**
3	Sai Gon-Binh Duong	110	122	122	122
4	Sai Gon-Hoang Huynh	80	98	98	98
5	Sai Gon-Ninh Thuan	50	100	100	100
6	Sai Gon-Bac Lieu	50	50	50	50
7	Sai Gon-Tay Do	40	40	40	**70**
8	Sai Gon-Vinh Long	50	50	100	100
9	Sai Gon-Kien Giang	50	50	50	**100**
10	Sai Gon-Soc Trang II	50	58	60	60
11	Sai Gon-Can Tho	50	58	60	60
12	Sai Gon-Khanh Hoa*	0	50	50	50
13	Sai Gon-Quang Ngai	100	100	100	**200**
14	Sai Gon-Dak Lak	70	70	70	70
15	Sai Gon-Phu Yen	23	23	23	23
16	Sai Gon-Quy Nhon	50	50	50	50
17	Sai Gon-Phu Tho	50	50	50	**100**
18	Sai Gon-Nghe Tinh	50	50	50	50
19	Sai Gon-Ha Tinh	70	70	70	70
20	Sai Gon-Ha Noi	95	95	95	95
21	Sai Gon-Phu Ly	50	50	50	**100**
22	Sai Gon-Song Lam	100	100	100	100
23	Sai Gon - Dong Xuan	40	40	40	40
24	Huong Sen	N/a	N/a	N/a	N/a
	Total	**1,654**	**1,800**	**1,854**	**2,170**

*Source: RongViet Research's estimate, *Operating since March, 2016*

Sabeco's 10 largest plants are located in the South, accounting for 53% of the total designed capacity (*average capacity per plant is approximately. 100 mln liters per year*), while the rest belongs to the Central (34%) and the North (13%) of Vietnam. Based on RongViet Research's statistics, the production capacity of Sabeco can increase by 54 million liters next year when Saigon Kien Giang Beer plant completes its 2nd phase Capacity Expansion Project in Q1 2017. Moreover, Sabeco is able to increase its maximum production capacity to 2.2 billion liters per year if the local plants are expanded. (*Table 3: Designed capacity of Sabeco's plants)*. Therefore, we expect that Sabeco may consider expanding its existing plants with lower cost (capital expenditure of approximately VND300-400 billion will increase production capacity by 50 mln liters/year) instead of investing in new ones (capital expenditure of approximately VND500-700 billion will increase production capacity by 50 mln liters/year). Expansion of its existing factories seems to be the best method for Sabeco to be able to meet the growing demand in the future. This is considered as a strong "shield" of SABECO to defend against the invasion of foreign breweries that will enter Vietnam or expand their operations.

Growth Outlook for SABECO

Increasing Input Costs – Pressure on Business Results of Breweries

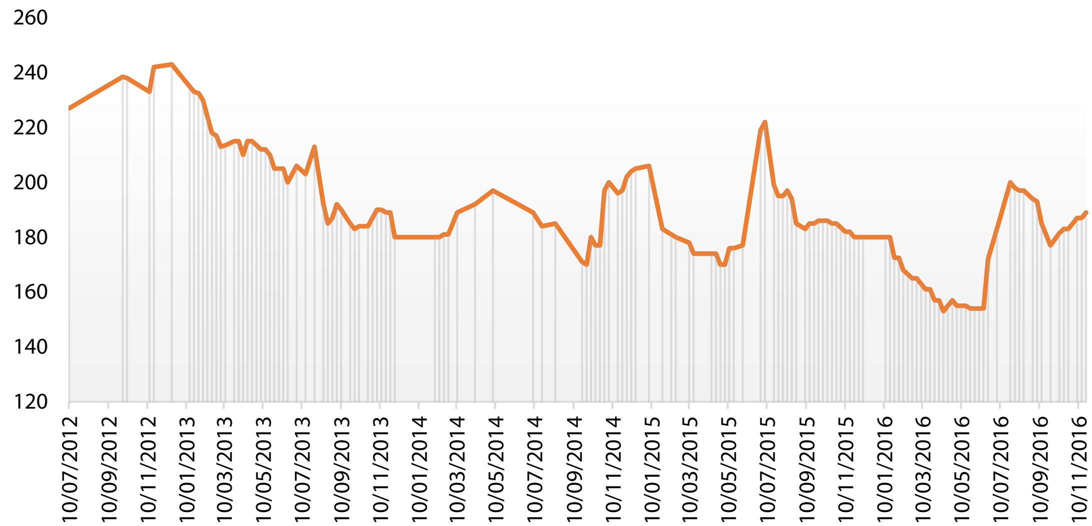
Malt, hops, rice and water are the main inputs of the beer industry's value chain. The cost of materials accounts for 80% of COGS, in which malt and hops have to be imported, hence, the company's business results depend largely on global commodity prices.

Figure 9: Input Raw Materials of the Brewing Process

Source: RongViet Research

According to Bloomberg, the price of malt started to significantly decrease since April 2016, when it reached its lowest level in the past 6 years; it has since reached EUR189 per ton, a 23% increase. The average price of malt in the first 11 months of this year is 7% lower than the average price in 2015. According to the World Bank, the price of malt is expected to slightly increase by 2-3% during 2017-2020. This represents a minor change, although it may directly affect the gross margin for many breweries in Vietnam, including SABECO. Hops is another material that has experienced significant price fluctuations recently. According to Barthhaas, the output for hops strongly decreased by about 16% in 2014-2015 due to the fact that adverse weather conditions negatively impacted its global output to the lowest level experienced in 25 years. forward contract price of hops is expected to increase next year when the inventory shrinks to a new low in 2017.

Figure 10: Malt Price (Unit: EUR/ton)



Source: Bloomberg, RongViet Research

Beer Excise Taxes Will Not be a Key Risk after 2016

A change in the special consumption tax policy (SCT) could be considered as a mid and long term risk among domestic brewing companies, particularly SABECO. According to the Law on Excise Tax (No.27/2008/QH), the special excise tax rate was applied at a rate of 45% in 2010-2012, 50% in 2013-2015, and 55% in 2016. A tax rate of 60% and 65% will be applied in 2017 and 2018, respectively. However, we believe that an increasing special excise tax rate would only have a minor impact due to the company's ability to pass on the excise tax increase to its customers.

The company will make a provision for 2007-2009 excise taxes in Q4 2016, which seems to be a short-term risk. Due to the difference of special consumption tax's calculations (using sales prices of the regional trading companies as the price for tax purposes instead of the prices which SABECO sold its products to the SABECO Trading Company), the company made a VND3,130 billion provision for 2010-2015's excise tax; this includes a VND1,431 billion for 2010-2012 (recorded in Q3 2016 Financial Reports) and VND1,699 billion for 2013-2015 (recorded in 2014-2015 Financial Reports). As mentioned in SABECO's prospectus, the company will address the revision for the 2007-2009 excise tax in 2016.

Based on a conservative scenario, we expect that the company will add a VND 600-700 billion provision in Q4 2016, increasing the total provision to VND2,031-2,131 billion in 2016. This key factor will result in a reduction in retained earnings, and could hinder the company's plan to increase its cash dividend, which was planned at 30% this year. However, from 2016 onwards, excise tax provisions will have as strong of a negative effect on SABECO's earnings as compared to the previous years.

2016 and 2017 Outlook

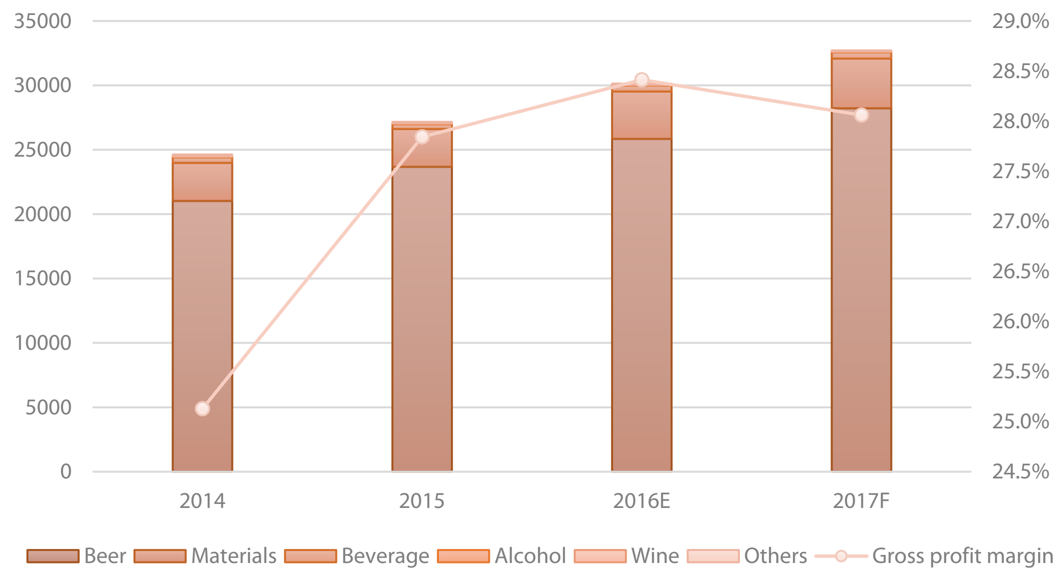
We expect that the revenue and NPAT of SABECO in FY2016 will grow by 11% and 34%, under the assumption that consumption volume will increase by 6%, remaining steady. However, the recent increase of input prices such as barley and hops might adversely impact the gross profit of SABECO. Apart from its beer segment, other business lines are forecasted to be stable or increase slightly. We estimate that SABECO will book VND32,689 billion (+9% YoY) in revenue and VND4,795 billion (+5% YoY) in NPAT, resulting in EPS of VND7,028 next year. At today's closing price, the forward P/E of SAB is 18.8 times, lower than the average of ~23 times.

Table 4: SABECO's Beer Consumption Volume (Unit: liters)

Year	2013	2014	2015	2016E	2017F
Volume	1,310,000	1,356,111	1,466,347	1,554,328	1,647,587

Source: SABECO, RongViet Research

Figure 11: Revenue Growth by Product (Unit: Billion VND)



Source: SABECO, RongViet Research

Table 5: SABECO's Gross Profit Margin

Year	2014	2015	2016E	2017F
Gross profit margin	**25,1%**	**27,8%**	**28,4%**	**28,1%**
Beer	28,1%	31,1%	31,8%	31,3%
Materials	5,5%	2,3%	5,0%	5,0%
Beverage	28,2%	29,9%	31,0%	31,3%
Alcohol	-3,3%	1,4%	5,0%	5,0%
Wine	8,0%	10,8%	15,0%	15,0%
Others	0,1%	15,8%	7,0%	7,0%

Source: SABECO, RongViet Researc

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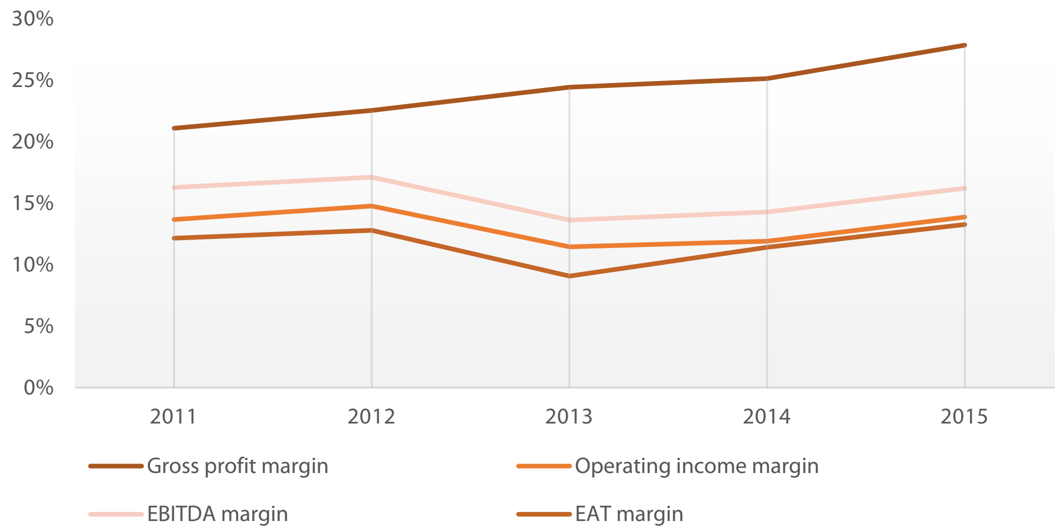
SABECO – Future Expectations

Figure 12: SABECO's Financial Ratios



Source: SABECO, RongViet Research

The company has been improving its operating efficiency since 2013. Its gross profit margin has risen from 21.1% in FY2011 to 27.8% in FY2015. The 3-year average operating profit margin and net margin are similar to its other peers (*Table 6*).

Table 6: Peer Comparison

Company	Country	Market Capital (million USD)	Gross profit margin (3-year average)	Operating profit margin (3-year average)	EBITDA margin (3-year average)	Net margin (3-year average)	ROA(%)	ROE(%)
Carlsberg Brewery Malaysia B	Malaysia	955	36.5	16.4	18.1	12.6	36.7	54.7
Carlsberg As-B	China	5,722	33.7	6.2	9.7	7.2	5.9	14.2
Thai Beverage Pcl	Thailand	15,027	28.8	14.1	16.6	13.5	12.7	22.8
Asahi Group Holdings Ltd	Japan	15,135	40.1	7.1	11.1	4.6	5.0	11.9
Nigerian Breweries Plc	Nigeria	3,653	50.1	24.0	33.0	15.0	8.7	39.4
Sapporo Holdings Ltd	Japan	1,998	34.8	2.8	8.3	1.6	2.3	5.9
Multi Bintang Pt	Indonesia	1,828	60.7	38.5	45.8	25.5	36.3	186.2
Industry Average		**6,331**	**40.7**	**15.6**	**20.4**	**11.4**	**15.4**	**47.9**
SABECO	**Vietnam**	**3,800**	**25.8**	**12.4**	**14.7**	**11.2**	**16.6**	**26**

Source: Bloomberg, RongViet Research

SABECO's ROE is 26%, slightly lower than other peers like Carlsberg (Malaysia) and Multi Bintang (Indonesia), as SABECO has lower asset turnover. We expect that strategic partners could improve the operating efficiency of SABECO:

(1) Effective cash spending: cash and cash equivalents of SABECO account for 37% of total assets compared to 6.2% of Carlsberg (FY2015 financial statement). Choosing to pay cash dividends will increase the asset turnover.

(2) Divesting from its non-core investments to allocate resources for market share expansion: Total non-core investments of SABECO are VND575 billion, which includes the investment in Me Linh Point Ltd.

(**3) Diversifying its product portfolio via its strategic partner's experience**: We have noted that the efficiency of Carlsberg comes partly from a diversified product portfolio, which is able to target different segments and customer types. Specifically, the success of high-end products has helped Carlsberg to gain a higher gross profit margin compared to other companies in this industry.

Table 7: 5-step Dupont Analysis

	SABECO	HABECO	CARLSBERG BREWERY	HEINEKEN MALAYSIA	MULTI BINTANG
Country	*Vietnam*	*Vietnam*	*Malaysia*	*Malaysia*	*Indonesia*
Market Capital (USD M)	*3,800*	*1,292*	*955*	*1,115*	*1,828*
DuPont Analysis					
Tax Burden	81%	78.84%	76.12%	75.48%	73.52%
Interest burden	98%	94%	97.65%	99.73%	93.89%
EBIT margin	17%	13%	17.50%	19.10%	26.69%
Asset turnover	1.26	0.97	2.51	2.71	1.24
Leverage	1.53	1.63	2.04	1.92	3.28
Return on equity (ROE)	***26%***	***15.60%***	***67%***	***74.80%***	***75.30%***

Source: Bloomberg, RongViet Research

Outlook and Valuation

As Vietnam's largest brewing company, SABECO has various striking advantages among its peers including its well-known brand name and its largest nationwide distribution and production networks. However, the company has seen a slowdown in growth in recent years compared with other competitors, especially with Heineken. However, as many competitors have penetrated into the high-end segment, SABECO's ability to maintain a high and stable market share in the mid-end segment in the past four years could be considered as an achievement. Hence, we expect that the company's growth momentum will sustain in coming years, as it continues to perform strongly in the mid and low-end segments while gradually penetrating into the high-end segment.

The problem of dependency on imported raw materials leads to the company being vulnerable to an increase in the price of hops and malt. Moreover, the change in the special tax consumption policy, in some cases, will also affect the company's potential to increase its sales volume. If SABECO makes a provision for 2007-2012 excise tax in H2 2016, from 2016 onwards, the excise tax provision will not be as strong of a negative effect on SABECO's earnings as compared to the previous years. At the same time, we believe that an increasing special excise tax rate from now to 2018 would only have a minor impact due to the company's ability to pass on the excise tax increase to its clients. Based on the assumption that SABECO's beer consumption volume will increase by 6%, we expect that revenue and NPAT will reach VND32,689 billion (+8.6% YoY) and 4,795 billion (+5% YoY), respectively. This translates to 2017 EPS of VND7,028. Using a combination of both P/E and EV/EBITDA methods, the target price for this stock is VND143,000/share, 8.3% higher than the today's closing price. Therefore, we rate this stock for **NEUTRAL** in the **LONG-TERM** horizon.

Table 8: Key Assumptions

Particular	Forecast	
	FY2016E	FY2017F
Revenue growth (%)	11%	9%
Volume growth(%)	10%	
Gross margin (%)	28%	28%
EBIT margin (%)	17%	17%

Source: RongViet Research

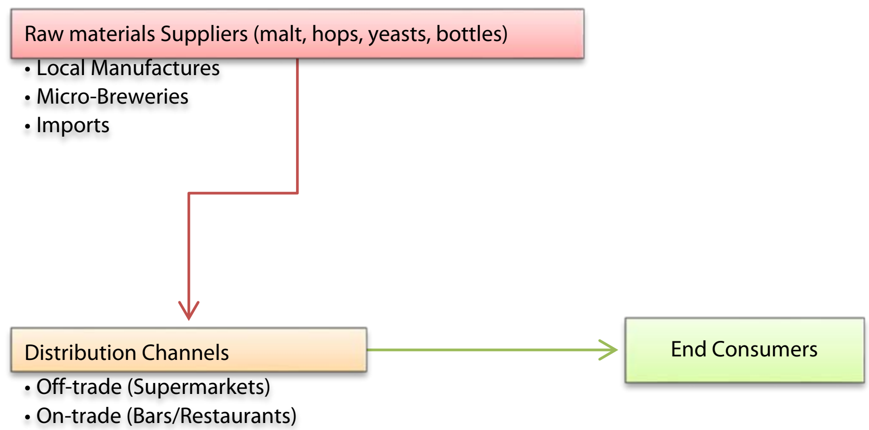
Table 9: P/E and EV/EBITDA Ratios of Some Brewing Companies

Company	Country	Market capital (million USD)	EV/EBITDA	P/E
CARLSBERG BREWERY MALAYSIA	MALAYSIA	955	13	18
CARLSBERG AS-B	CHINA	5,722	12	23
THAI BEVERAGE PCL	THAILAND	15,027	17	23
ASAHI GROUP HOLDINGS LTD	JAPAN	15,135	10	38
NIGERIAN BREWERIES PLC	NIGERIA	3,653	15	36
SAPPORO HOLDINGS LTD	JAPAN	1,998	9	24
Average		**7,082**	**13**	**29**

Source: Bloomberg, RongViet Research

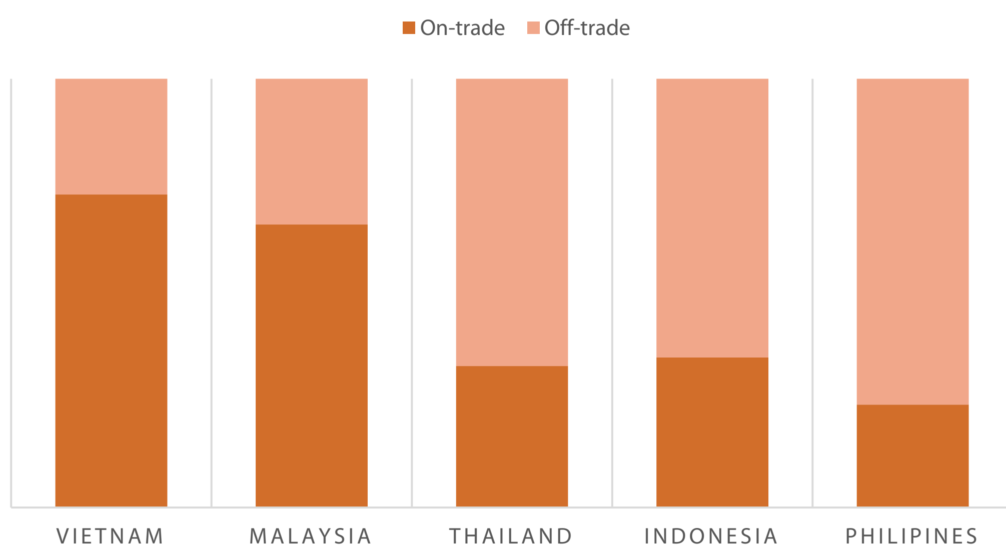
Beer Supply Chain & Distribution Channels

Figure 12: Beer Suppy Chain



Source: cdiasiabusiness, RongViet Research

Figure 13: On-trade and Off-trade Sales (by Volume)



Source: cdiasiabusiness, RongViet Research, on-trade: Bars/Restaurants, off-trade: Supermarket

VND Billion

INCOME STATEMENT	2014	2015	2016F	2017F
Revenue	24,611	27,144	30,111	32,689
COGS	18,426	19,587	21,556	23,516
Gross profit	**6,184**	**7,558**	**8,556**	**9,173**
Selling Expense	2,342	2,683	2,710	2,942
G&A Expense	912	1,110	723	686
Finance Income	367	419	572	417
Finance Expense	89	122	90	63
Other profits	44	37	40	40
PBT	**3,595**	**4,470**	**6,018**	**6,350**
Prov. of Tax	787	870	1,204	1,270
Minority's Interest	181	190	237	285
PAT to Equity Shareholder	**2,627**	**3,410**	**4,577**	**4,795**
EBIT	2,930	3,764	5,123	5,544
EBITDA	3,513	4,400	6,010	6,450

FINANCIAL RATIO (%)	2014	2015	2016F	2017F
Growth				
Revenue	2.5	10.3	10.9	8.6
EBITDA	7.4	25.2	36.6	7.3
EBIT	6.6	28.5	36.1	8.2
PAT	22.2	29.8	34.2	4.8
Total Assets	11.7	-0.5	14.4	12.9
Equity	21.6	7.1	-3.0	15.3
Profitability				
Gross profit/Revenue	25.1	27.8	28.4	28.1
EBITDA/ Revenue	14.3	16.2	20.0	19.7
EBIT/ Revenue	11.9	13.9	17.0	17.0
Net margin	10.7	12.6	15.2	14.7
ROAA	12.1	15.8	18.5	17.2
ROIC or RONA	21.5	26.1	36.1	32.8
ROAE				
Efficiency	23.9	25.0	46.1	46.1
Receivable Turnover	9.9	10.2	11.0	11.0
Inventory Turnover	2.7	3.6	2.5	2.5
Payable Turnover				
Liquidity				
Current	1.4	1.9	1.7	1.9
Quick	1.2	1.6	1.5	1.7
Solvency				
Total Debt/Equity	11.1	12.7	9.2	8.1
Current Debt/Equity	3.6	8.0	4.7	4.4
Long-term Debt/ Equity	7.5	4.7	4.5	3.7

VND Billion

BALANCE SHEET	2014	2015	2016F	2017F
Cash and equivalents	1,817	7,936	11,956	15,086
Short-term investment	5,720	943	943	943
Receivables	1,031	1,085	653	709
Inventories	1,869	1,925	1,961	2,140
Other current assets	110	306	321	337
Tangible Fixed Assets	5,348	4,970	4,354	3,721
Intangible Fixed Assets	2,118	1,011	968	796
Other long-term assets	1,363	1,176	1,235	1,297
Long-term Asset	**21,674**	**21,572**	**24,680**	**27,873**
Payables	6,896	5,409	8,786	9,392
Other current liabilities	437	1,052	593	644
Current Debt	912	610	574	538
Long-term Debt	226	299	574	861
Other long-term liabilities	58	55	55	55
Total Liability	**8,691**	**7,507**	**10,669**	**11,580**
Owner's Equity	6,413	6,413	6,413	6,413
Capital	-33	-26	-26	-26
Retained Earnings	4,742	5,558	5,073	6,919
Other comprehensive income	16	24	24	24
Investment/Development fund	1,066	1,100	1,192	1,287
Total equity	**12,204**	**13,069**	**12,675**	**14,617**
Minority's Interest	780	996	1,336	1,676
TOTAL RESOURCES	**21,674**	**21,572**	**24,680**	**27,873**

CASH FLOW STATEMENT	2014	2015	2016F	2017F
Profit before tax	3,595	4,470	6,018	6,350
-Depreciation	542	656	887	906
-Adjustments	-261	-740	0	0
+/- Working capital	-1,027	-2,228	2,554	-915
Net Operating CFs	**2,849**	**2,158**	**9,459**	**6,340**
+/- Fixed Asset	-973	509	-159	-162
+/- Deposit, equity investment	-1,348	-498	68	558
Interest, dividend, cash profit	370	372	340	340
Net Investing CFs	**-1,951**	**383**	**249**	**736**
+/- Capital	0	7	0	0
+/- Debt	-320	313	-418	91
Dividend paid & other	-609	-1,679	-5,270	-4,038
Net Financing CFs	**-930**	**-1,359**	**-5,688**	**-3,947**
+/- cash & equivalents				
Beginning cash & equivalents	**1,849**	**6,755**	**7,936**	**11,956**
+/- cash & equivalents	-32	1,181	4,020	3,129
Ending cash & equivalents	**1,821**	**7,936**	**11,956**	**15,086**

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